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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:)	Case No. 12-12020 (MG)
)	
RESIDENTIAL CAPITAL, LLC, <u>et al.</u> ,)	Chapter 11
)	
Debtors.)	Jointly Administered
)	

**TWENTY-FIFTH POST-CONFIRMATION STATUS
REPORT OF THE RESCAP LIQUIDATING TRUST**

The ResCap Liquidating Trust (the “**Liquidating Trust**”), as successor in interest to the debtors (collectively, the “**Debtors**”) in the above-captioned cases (the “**Chapter 11 Cases**”), hereby submits this post-confirmation status report for the period ending on December 31, 2020 (the “**Reporting Period**”), and respectfully represents as follows:

STATUS REPORT

1. On December 11, 2013, the Court entered the *Order Confirming Second Amended Joint Chapter 11 Plan Proposed by Residential Capital, LLC et al. and the Official Committee of Unsecured Creditors* (the “**Confirmation Order**”) [Docket No. 6065] approving the terms of the Chapter 11 plan, as amended (the “**Plan**”), filed in these Chapter 11 Cases [Docket No. 6065-1].¹

¹ Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Plan.

2. On December 17, 2013, the Effective Date of the Plan occurred (the “**Effective Date**”), and the Liquidating Trust was established [Docket No. 6137]. Pursuant to the Plan, the Liquidating Trust was established to wind down the affairs of the Debtors. *See* Plan, Art. VI.

3. On August 13, 2014, the Liquidating Trust filed an application for entry of a post-confirmation order (the “**Post-Confirmation Order**”) [Docket No. 7385]. On August 26, 2014, the Court entered an amended Post-Confirmation Order [Docket No. 7431]. Pursuant to the Post-Confirmation Order, the Liquidating Trust is required to file quarterly and annual status reports detailing the actions taken by the Liquidating Trust and the progress made toward the consummation of the Plan.

4. Attached hereto as **Exhibit A** is a copy of the Liquidating Trust’s consolidated financial statements and letters to beneficiaries (collectively, the “**Financial Statements**”) detailing the Liquidating Trust’s activity during the Reporting Period. The Financial Statements are available on the claims agent’s website at <https://www.kccllc.net/rescap>.

NOTICE

5. Notice of this Status Report has been provided to the parties identified on the Special Service List and General Service List, as those terms are defined in the Notice, Case Management, and Administrative Procedures approved by the Court [Docket No. 141], including the Office of the U.S. Trustee for the Southern District of New York.

Dated: February 10, 2021
New York, New York

KRAMER LEVIN NAFTALIS & FRANKEL LLP

/s/ Joseph A. Shifer
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Counsel for the ResCap Liquidating Trust

Exhibit A

ResCap Liquidating Trust

ResCap Liquidating Trust

**Consolidated Financial Statements
as of and for the Period Ended December 31, 2020
(Unaudited)**

ResCap Liquidating Trust

Consolidated Statement of Net Assets in Liquidation

(Unaudited)

In thousands (except per unit)

Assets:	December 31, 2020	December 31, 2019
Cash and cash equivalents	\$ 100,515	\$ 100,869
Restricted cash	3,528	3,496
Mortgage assets	934	2,416
Other assets	19	730
Total assets	104,996	107,511
Liabilities:		
Estimated costs to operate Trust	54,545	78,246
Liability for undistributed funds	232	229
Total liabilities	54,777	78,475
Net assets in liquidation	\$ 50,219	\$ 29,036
Total units in the Trust	98,859,354	98,859,354
Net assets per authorized unit	\$ 0.51	\$ 0.29

The Notes to Consolidated Financial Statements are an integral part of these statements.

ResCap Liquidating Trust

Consolidated Statement of Changes in Net Assets in Liquidation

(Unaudited)

In thousands

	Quarter to date ended December 31, 2020	Year to date Ended December 31, 2020	Effective Date through December 31, 2020
Receipts			
Receipts on assets held for sale	\$ 864	\$ 2,178	\$ 643,787
Litigation / claim recoveries	6,405	60,375	1,318,462
Other receipts	64	4,416	169,977
Plan settlements	-	-	2,100,000
Total receipts	7,333	66,969	4,232,226
Disbursements			
Claims and settlement	-	-	(1,642,074)
DOJ / AG consent settlement	-	10	(88,201)
Costs to operate the Trust	(4,860)	(31,704)	(699,526)
Total disbursements	(4,860)	(31,694)	(2,429,801)
Distributions			
Total distributions	-	(35,597)	(3,375,862)
Net cash flow	2,473	(322)	(1,573,437)
Other non-cash changes affecting:			
Increase (decrease) in asset value assumptions	-	4	(55,026)
(Increase) decrease in costs to operate the Trust	(3,363)	(7,937)	(547,916)
(Increase) decrease in DOJ/AG consent settlement	-	(1)	(7,551)
Basis of assets/liabilities liquidated/resolved	(2,330)	29,442	(281,220)
(Increase) decrease in distributions held for Beneficiaries	-	(3)	(232)
Total non-cash changes	(5,693)	21,505	(891,945)
Total increase (decrease) in net assets	(3,220)	21,183	(2,465,382)
Net assets in liquidation, beginning of period	53,439	29,036	2,515,601
Net assets in liquidation, end of period	\$ 50,219	\$ 50,219	\$ 50,219

The Notes to Consolidated Financial Statements are an integral part of these statements.

ResCap Liquidating Trust

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Description of Business and Significant Accounting Policies

The ResCap Liquidating Trust ("Trust") was formed in connection with the Plan of Reorganization under chapter 11 of the United States Bankruptcy Code ("Plan") in the bankruptcy case of Residential Capital, LLC ("ResCap"). The Plan became effective on December 17, 2013 ("Effective Date").

Units of beneficial interest ("Units") were issued by the Trust. The Units entitle their holders ("Beneficiaries") to receive a proportionate amount of cash distributions ("Declared Distributions") made by the Trust.

Basis of Presentation

The unaudited Consolidated Financial Statements (the "Statements") reflect the accounts of the Trust and subsidiaries after eliminating all significant intercompany balances and transactions. The Statements reflect all adjustments that are, in management's opinion, necessary for the fair presentation of the results for the periods presented. The Statements have not been prepared in accordance with generally accepted accounting principles; rather they have been prepared using a liquidation basis of accounting, which the Trust considers an appropriate basis of accounting at this time. The assets are stated at their estimated net realizable value, which is the amount of cash into which an asset is expected to be converted during the liquidation period. The Trust also accrues costs that it expects to incur through the end of its liquidation. The Trust will record and value affirmative settlements or judgements when realized and collectability is reasonably anticipated. The Trust does not accrue contingent costs.

Cash and Cash Equivalents, and Restricted Cash

Cash and cash equivalents include cash on hand and short term and governmental money market funds. Restricted cash consists of cash that is restricted for specific purposes and is not generally available to the Trust.

Mortgage Assets

Mortgage assets include mortgage loans, servicer advances, interest income, real estate owned, and trading securities.

Mortgage Loans

Mortgage loans consist of mortgage insurance claims. As a result of borrower default or contractual delinquency triggers, certain mortgage loans ultimately become mortgage insurance claims for reimbursement from the Federal Housing Association ("FHA") for eligible mortgage loan principal, interest, and servicing advances.

The value of mortgage loans is determined by modeling the net present value of the cash flows expected to be received over the life of the loan. The timing of the insurance reimbursement process and the reimbursement policies of the government agencies and disposition strategy all contribute to the underlying assumptions estimating cash flows.

Servicer Advances

The Trust is required, from time to time, to make certain servicer advances on loans that it owns. These servicer advances are for property taxes and insurance premiums ("Escrow") and for default and

ResCap Liquidating Trust

property maintenance payments (“Corporate”). Servicer Advances are modeled based on the net present value of the expected recovery of the advance through collection from government agencies on insured loans.

Interest Receivables

Interest receivables generally arise from interest payments on mortgage loans. All future estimated interest income is capitalized and is valued based on the asset management strategies and net present value of the modeled cash flows of the underlying assets.

Real Estate Owned

Real estate owned from loan foreclosures (“REO”) are classified as REO when physical possession of the collateral is taken. REOs are carried at their liquidation value and are held in a subsidiary whose stock is owned by the Trust.

Affirmative Recoveries

The Trust will record and value affirmative settlements or judgments when realized and collectability is reasonably anticipated.

Estimated Costs to Operate the Trust

The Trust accrues for all costs it expects to incur during its lifetime based on approved strategic assumptions and the Trust’s current estimates. These costs are estimated based on asset resolution strategies, litigation timelines and modeled wind-down expenses of the Trust’s operations and are recorded as liabilities.

The estimated future legal cost includes current pre-trial, trial, and potential appeal costs for the pending cases. Actual future costs could vary significantly depending upon a wide variety of factors due to the uncertainties inherent in complex litigation. On a periodic basis, the Trust evaluates such estimates to take into consideration the overall status of the litigation and any material changes in circumstances or factors affecting the litigation, including but not limited to updated scheduling of the cases, discovery, settlements, and other factors that may affect such estimates. The Trust will record and value affirmative settlements or judgments when realized and collectability is reasonably anticipated. The Trust does not accrue contingent costs.

Income Taxes

The Trust is a Grantor Trust, treated as a flow-through entity for U.S. federal and state income tax purposes. The Trust is not subject to U.S. federal or state income taxes; therefore, no accrual for these taxes is made. The Trust files a Federal return and multiple state returns and all tax periods since the Trust’s Effective Date remain open for examination.

2. Assets

	December 31, 2020	December 2019
Cash and cash equivalents	\$ 100,515	\$ 100,869
Restricted cash	3,528	3,496
Mortgage assets	934	2,416
Other Assets	19	730
Total assets	<u>\$ 104,996</u>	<u>\$ 107,511</u>

ResCap Liquidating Trust

Restricted cash includes a \$1.0 million liquidity escrow that will be released to the Trust 60 days post termination of the servicer contract, and an additional \$2.3 million supporting servicer potential incentive payable. The incentive payable balance is valued at \$1.2 million as of December 31, 2020. Any restricted cash not utilized for the incentive will be released to the Trust 60 days post termination of the servicer contract.

The remaining Mortgage assets have a carrying value of \$.9 million representing the Trust's future expected recovery value. The resolution timelines are subject to asset specific hurdles, including final title approval from HUD, filing documentation for expense claims, and HUD review and approval.

The Trust records and values affirmative settlements or judgments when realized and collectability is reasonably anticipated.

3. Estimated Costs to Operate the Trust

Estimated costs to operate the Trust are comprised of the following (in \$000's):

	December 31, 2020			December 31, 2019	
	Accrued	Future	Total	Total	
Professional fees (legal, expert, other professional costs)	\$ 7,881	\$ 32,850	\$ 40,731	\$	57,572
Compensation	2,842	5,044	7,886		8,844
Document management	9	1,027	1,036		5,134
Information technology	16	2,295	2,311		2,887
Other operating costs	1,141	1,441	2,582		3,809
Total costs to operate the Trust	\$ 11,889	\$ 42,657	\$ 54,546	\$	78,246

The estimated cost to operate the Trust is \$54.5 million including \$11.9 million of expenses that have been incurred but not yet paid (\$7.9 million professional fees, and \$4.0 million other operating costs) and \$42.7 million of expected future costs for the period January 2021 through December 2023. Of the future \$42.7 million cost, \$15.3 million supports the on-going insurance recovery case pending in Bankruptcy Court, SDNY and RMBS litigation and \$27.4 million represents existing contractual obligations and the future costs for the operations and winddown of the Trust. The Trust does not accrue contingent costs.

4. Commitments and Contingencies

Affirmative Matters

The Trust is pursuing various affirmative matters. These include:

- There is one pending indemnity claim against Primary Residential Mortgage, Inc., which was tried in Minnesota Federal Court in a bench trial. In August 2020, the Federal District Court in Minnesota entered a judgment of \$5.4 million in favor of the Trust in the matter of Primary Residential Mortgage Inc. Subsequent to the judgment, the trust filed a motion for an additional \$15.5 million for attorney fees, costs and pre-judgment interest in the same matter and is pending a ruling on the matter.
- Insurance Recovery Action. The Trust has an adversary proceeding case pending in the U.S. Bankruptcy Court for the Southern District of New York, Drennen, et al., and ResCap Liquidating Trust v. Certain

ResCap Liquidating Trust

Underwriters at Lloyd's, London, et al., Adv. Case No. 15-01025-shl. In December 2019, the Bankruptcy Court issued a partial Summary judgment in favor of the Trust. The Trust's claim is approximately \$62.7 million, exclusive of interest and fees. Per the Trust's accounting policy, the Trust has not recorded this estimate in these Consolidated Financial Statements.

At this time, the Trust cannot predict the outcome of these matters or estimate the possible financial effect of these matters on the Consolidated Financial Statements, and as such, neither contingent gains nor any contingent costs to pursue these matters are currently recorded.

5. Subsequent Events

Events subsequent to December 31, 2020 were evaluated through, February 10, 2021, the date on which these Consolidated Financial Statements were issued.

RESCAP

LIQUIDATING TRUST

ResCap Liquidating Trust

Q4 2020 Beneficiary Letter



LIQUIDATING TRUST

February 10, 2021

Dear Beneficiaries:

The Trust continued its efforts into Q4 2020 to generate value for the beneficiaries and effectively and efficiently wind down the Trust.

In August 2020, the Federal District Court in Minnesota entered a judgment of \$5.4 million in favor of the Trust in the matter of Primary Residential Mortgage Inc. Subsequent to the judgment, the Trust filed a motion for an additional \$15.5 million in attorney fees, costs and pre-judgment interest in the same matter which was heard in Court in December 2020. The Trust is awaiting a decision.

The Trust continues to pursue litigation in its insurance recovery action pending in the U.S. Bankruptcy Court for the Southern District of New York. The amounts at issue are reflected in the accompanying financial statements.

The Administrative Set Aside of \$42.6 million (net of costs incurred but not yet paid) reflects the extension of the Trust through December 2023 to support the continuing work with the insurance adversary action, the one remaining RMBS litigation noted above, and final wind down actions. A breakdown of the costs is shown in the accompanying financial statements.

To aid Beneficiaries in their tax reporting, the Trust is providing a year-end Tax Information Letter and tax information. The Tax Information Letter is being distributed along with this quarterly Beneficiary Letter. State Tax information will be posted at a later date and a notice will be filed.

The Trust's year end 2020 financial report and certain tax information have been filed with the bankruptcy court and posted to the Kurtzman Carson Consulting website at <http://www.kccllc.net/rescap>.

The Trust continues to work diligently towards the goal of maximizing value for Beneficiaries in the most efficient manner possible. We look forward to reporting on the results of our efforts.

Sincerely,

ResCap Liquidating Trust Board